TRANSACHIEVE SDN BHD

v.

ECON PI PILE SDN BHD & ANOR;
REGISTRAR OF PATENTS (INTERESTED PARTY)

HIGH COURT MALAYA, KUALA LUMPUR
ABDUL AZIZ MOHAMAD J
[ORIGINATING SUMMONS NO: D2-24-352-96]
22 AUGUST 1997

PATENTS: *Infringement - Whether plaintiff owner of patented invention - Whether inventor could assign rights to first defendant*

LABOUR LAW: *Employment - Whether second defendant as director of plaintiff was employee - Whether piling apparatus invented by second defendant was during course of employment with plaintiff*

CIVIL PROCEDURE: *Injunction - Application by first defendant to restrain plaintiff from infringing patent - Whether consent order between plaintiff and third party would make a mockery of the injunction*

The plaintiff through an originating summons pursuant to s. 20(1) of the Patents Act 1983 ('the Act') sought a declaration that it was the owner of a patented invention, a hydraulic piling apparatus, which was used for pile driving. The inventor was the 2nd defendant who at the time of the invention was one of the two shareholders of the plaintiff. The application of the patented invention was assigned to the 1st defendant. The plaintiff claimed that it was the rightful owner of the patent as the 2nd defendant had invented it in the performance of a contract of employment with the plaintiff. The defendants denied the plaintiff's claim and sought a restraining order against the plaintiff from infringing the patent. It was argued for the plaintiff that prior to the action now before the court, there was a consent order (between the plaintiff and a 3rd party claiming that the patented invention infringed its V-Pile) allowing the plaintiff to use the patent in five of its piling jobs. Hence if the injunction was allowed the consent order would be a mockery.

Held:

[1] None of the documents provided by the plaintiff constituted proof that the 2nd defendant was an employee of the plaintiff.

[2] The 2nd defendant's involvement in the affairs of the plaintiff was as an executive director and not as an employee. Therefore, there was no case for claiming that the invention was made in the performance of a contract of employment with the plaintiff.

[4] The rights to the patent for the invention did not accrue to the plaintiff but remained with the 2nd defendant.

[5] The consent order was not a judicial pronouncement of rights and was not binding on the 1st defendant. No rights were conferred on the plaintiff as against the 1st defendant.

[6] The 1st defendant's right to restrain the plaintiff transcends the liberty given by the V-Pile company to the plaintiff through the consent order.

[7] The 1st defendant was entitled to the injunction to restrain the plaintiff from infringing the patent for the invention as the 2nd defendant had validly assigned the rights of the patent to the 1st defendant.

[Originating summons dismissed with costs; application for injunction allowed.]

Legislation referred to:
Patents Act 1983, ss. 3, 19, 20(1)

For the plaintiff - SG Yeoh; M/s Bustaman & Co
For the 1st defendant - N Navaratnam (KC Tan, TJ Chin & Chua Kim Hong with him); M/s Neoh Norizah & Co
For the 2nd defendant - Joseph Yeo (EK Chin with him); M/s EK Chin & Assocs

JUDGMENT

Abdul Aziz Mohamad J:

The foremost remedy that Transachieve Sdn. Bhd. ('Transachieve') are seeking by the originating summons is founded on sub-s. (1) of s. 20 of the Patents Act 1983, which provides as follows:

> (1) In the absence of any provisions to the contrary in any contract of employment or for the execution of work, the rights to a patent for an invention made in the performance of such contract of employment or in the execution of such work shall be deemed to accrue to the employer, or the person who commissioned the work, as the case may be.

Transachieve are seeking, in reliance on that subsection, a declaration that they are the rightful owners of Patent No. MY-108125-A, which is for an invention entitled "Improvements in and relating to apparatus for pile driving" and taking the form of a hydraulic piling apparatus using a three-hydraulic-jacks system. I shall refer to the invention as "the 3-jack system". The inventor of the invention was Wu Bong, who, on 31 October 1991, filed Patent Application No. PT 9102024 in respect of the invention, but who, on 2 December 1995, assigned the application to Econ PI Pile Sdn. Bhd. ('Econ'), as a result of which, on 15 August 1996, the patent was granted to Econ, who are now its registered owners.

Transachieve claim that the invention was made by Wu Bong in the performance of a contract of employment with them and therefore the rights to a patent for the invention accrued to them as the employer, and on that basis they seek a declaration that they are the rightful owners of the patent. Although the test under sub-s. (1) of s. 20 is whether the invention was made by Wu Bong in the performance of a contract of employment with Transachieve, the efforts of Transachieve were directed to presenting material to prove that Wu Bong was, when he made the invention, an employee of Transachieve, it being assumed that if they proved that Wu Bong was an employee, then there must have been a contract of employment between Transachieve and Wu Bong and Wu Bong would have made the invention in the performance of the contract of employment. Wu Bong denies that he was an employee. The efforts of Econ and Wu Bong were directed to establishing two things. One is that Wu Bong was not an employee. If they succeeded on that point, Transachieve would lose the basis for founding any claim on sub-s. (1) of s. 20. Then Wu Bong would have been truly entitled to apply for a patent for the invention. But to buttress their claim that Wu Bong was entitled to a patent, Econ and Wu Bong went further to show that Transachieve recognised his entitlement through a Licensing Agreement between Wu Bong and Transachieve for the use of the 3-jack system by Transachieve in consideration of royalties payable to Wu Bong.

The basic and crucial question, however, remains whether Wu Bong was an employee of Transachieve.

Before proceeding to deal with that question, I should like to dispose of two matters of law or interpretation that arose during submission.

The first matter concerns the definition of "employee" in s. 3 of the Act, which is as follows:

> "employee" means a person who works or has worked under a contract of employment, or who is in employment under or for the purposes of any individual or organisation.

Reliance was placed by learned counsel for Transachieve on that definition for the purpose of determining whether Wu Bong was an employee. She said that Wu Bong would fall under any of the limbs of the definition.

With respect, I think that reliance on the definition of "employee" in this case is apt to jar with the reality of the situation under sub-s. (1) of s. 20, where the word defined is not used. In this case, the inquiry under that subsection is as to whether there was a "contract of employment", a term which is not defined, between Transachieve and Wu Bong. If there was, then, in the context of the contract of employment, Transachieve would have been the employer

and Wu Bong the employee. The need to determine whether Wu Bong was an employee of Transachieve is for the purpose of concluding from it that there was a contract of employment for the purposes of sub-s. (1). The idea is the common one of an employee under a contract of employment, which is expressed in the first limb of the definition of "employee". To argue that Wu Bong could also be an employee under any of the other limbs of the definition would be to argue for some other kind of relationship than one under a contract of employment and thus to argue one's case out of sub-s. (1).

The second matter concerns the other limb of sub-s. (1), which is about a contract "for the execution of work". Learned counsel for Transachieve submitted that the limb could also apply to Wu Bong. So Transachieve's alternative argument is that there was a contract for the execution of work between Transachieve and Wu Bong and Wu Bong made the invention in the execution of the work and therefore the rights to a patent for the invention accrued to Transachieve.

I would point out, however, that in the case of a contract of employment, the engagor is called the employer, the term used in sub-s. (1), and the engagee is called the employee. It is a master-and-servant relationship. In the case of a contract for the execution of work, sub-s. (1) refers to the engagor as "the person who commissioned the work", not the employer. I can hardly imagine that the engagee in such a contract would be called an employee. A "contractor" would be more likely. Yet, throughout, Transachieve's case, according to their affidavits, is that Wu Bong was a salaried employee, a servant of theirs. Therefore their case is that of a contract of employment and I do not think they can seriously be contending that it is also a case of a contract for the execution of work.

To determine whether Wu Bong was an employee of Transachieve, it is necessary to consider certain facts as to which there cannot be any dispute.

Wu Bong had invented a hydraulic piling apparatus using the single-jack system for which, in December 1990, he filed Patent Application No. PI 9002217. With a view to having a company to carry on the business of piling using his single-jack system, Wu Bong, together with one Chew Kam Chooi, bought Transachieve, which was then a shelf company, and on 18 May 1991 the two of them became the sole shareholders and directors of Transachieve.

On 24 July 1991 Wu Bong and Transachieve entered into a Licensing Agreement for the use by Transachieve of the single-jack system, with provision for the payment of royalty by Transachieve to Wu Bong.

a Meanwhile, Wu Bong had been working on an improvement to the single-jack system. On 12 September 1991 he transmitted the drawings of the improved system, which was the 3-jack system, to his solicitors. On 15 October 1991 he sent to his solicitors detailed drawings of the system.

b On 14 October 1991 four other persons brought in an increase in capital for Transachieve by becoming additional shareholders and directors of Transachieve.

On 31 October 1991 Wu Bong filed Patent Application No. PI 9102024 in respect of the 3-jack system.

c On 5 March 1992 Wu Bong filed an application for a UK patent for his invention.

In the middle of 1994 Econ came into existence.

d On 19 January 1995 Wu Bong gave Transachieve a letter of his resignation as a director of Transachieve with effect from that date.

On 19 April 1995 UK Patent No. 2261008 was granted to Wu Bong.

On 16 May 1995 Wu Bong's solicitors gave Transachieve seven days' notice *e* to terminate the Licensing Agreement.

On 18 September 1995 Wu Bong assigned the UK patent to Econ.

On 2 December 1995 Wu Bong assigned Patent Application No. PI 9102024 to Econ.

f On 15 August 1996 Patent No. MY-108125-A was granted to Econ in respect of the 3-jack system.

From the facts that I have set out, it is apparent that from the beginning until the new investors came in on 14 October 1991, Transachieve was owned and *g* run by Wu Bong, together with Chew Kam Chooi, as a company doing piling business using Wu Bong's invention. It is also apparent that it was during that period that Wu Bong made the invention. Even before the new investors came in, Wu Bong had already sent drawings of the 3-jack system for patent purposes. Although the application for the patent was filed seventeen days after *h* the new investors had come in, the invention covered by the application was an invention that Wu Bong had already made before they came in. In view of the objective with which Wu Bong and Chew Kam Chooi commenced business through Transachieve, and the fact that they were at the time the only shareholders of Transachieve, it cannot be true, as suggested by Transachieve in para. 5 of their affidavit dated 8 October 1996, that Wu Bong worked on *i*

the invention for the 3-jack system on the instructions of Transachieve. And in view of the fact that Wu Bong and Chew Kam Chooi were running Transachieve as their own company, it is highly unlikely that the company would have entered into a contract of employment with Wu Bong to employ him in any capacity.

Transachieve seek to prove that Wu Bong was an employee by relying on various kinds of documentary evidence.

First, there is the evidence of remuneration vouchers. In para. 3 of Transachieve's affidavit dated 8 October 1996, they claim that Wu Bong was a director and employee of theirs from 18 May 1991 until 19 January 1995, the date of his letter of resignation as director. In support of that claim, they refer to exhibit YCP-1, which they say are the salary slips in respect of Wu Bong. However, except for a few, they are vouchers evidencing payment to Wu Bong of monthly director's fees for the months from July 1991 until July 1994, not of salary. I must at this juncture observe that that is consistent with Wu Bong's averment, which has not been disputed and which I accept, that although his letter of resignation was dated 19 January 1995, he had in actual fact informed Transachieve of his resignation in mid-August 1994 and he had stopped receiving director's fees on 31 August 1994. It was after that, according to Econ, that he became a director of Econ, that is on 28 September 1994.

The exceptions I mentioned just now are all in 1994. One, the first, is a voucher dated 5 February 1994 for director's fee of RM3,500 for January 1994. Another amount of RM3,500 is included in that voucher as Chinese New Year bonus. There is no reason why the festival bonus could not have been a bonus in respect of director's fee.

Then there are four slips captioned "salary voucher" dated 30 April, 31 May, 30 June and 31 July 1994, each for RM3,500, showing zero in respect of other particulars such as allowances, overtime, EPF and SOCSO. Had the sums actually been received, they would have been in addition to the director's fees for the respective months. But only the salary voucher dated 31 May appears to be signed by Wu Bong acknowledging receipt of payment.

In that affidavit of theirs dated 8 October 1996, Transachieve do not make any specific averment about the exceptions but refer, simply and incorrectly, to all the director's fee vouchers and salary vouchers as salary slips, to support their contention that Wu Bong was a director and an employee. So, understandably, in para. 15 of his affidavit in reply dated 14 November 1996, Wu Bong merely denies he was ever an employee, contending that he was all the time a founding director and that he was paid a director's fee and not

a salary. Transachieve counter Wu Bong's denial in para. 8 of their affidavit dated 31 December 1996 by simply reiterating that Wu Bong was a director and employee. They do not challenge Wu Bong's denial by highlighting the four salary vouchers. So Wu Bong was never expressly challenged with that evidence and never had occasion or need to explain it.

Be that as it may, even if the salary vouchers were to be taken as proof that Wu Bong was an employee of Transachieve, they can only be proof that he was such only from April 1994. Wu Bong had made his invention much earlier. He had applied for the patent for it on 31 October 1991. The salary vouchers do not provide evidence that Wu Bong was an employee of Transachieve when he made the invention.

Next there are documents exhibited to support Transachieve's averment that Wu Bong had been active in the day-to-day work of Transachieve at building sites.

There is a batch of documents that are said to show that Wu Bong certified the attendance and wages of workers. The dates are mostly in August 1991, before the new investors came in.

There is a voucher which shows Wu Bong approved the payment for certain crane charges. That is dated 7 October 1991, before the new investors came in.

There is a letter of Transachieve's dated 23 November 1992 by which Wu Bong, as executive director, gave a quotation for piling works.

There are minutes of a meeting that show that Wu Bong attended a site meeting on 5 January 1993.

There is a letter of Transachieve's, also dated 5 January 1993, by which Wu Bong, signing as director, forwarded a progress claim for piling works to a company.

None of those documents constitutes proof that Wu Bong was an employee of Transachieve. The activities indicated by the documents are activities involvement in which may be expected of an active director in the kind of business that Transachieve were doing. In para. 5 of his affidavit dated 5 February 1997 Wu Bong explains that he was the only person in Transachieve with experience in the hydraulic injection piling industry and he was effectively the founder of Transachieve's business. His involvement in the affairs of Transachieve were as executive director and not as an employee.

I therefore come to the conclusion that there is no evidence that Wu Bong was an employee of Transachieve at the time when he made the invention. There is therefore no case for claiming under sub-s. (1) of s. (20) that the invention was made in the performance by Wu Bong of a contract of employment with Transachieve. The rights to a patent for the invention did not accrue to Transachieve, but remained Wu Bong's.

The other relief that Transachieve are seeking by the originating summons is judicial assignment of the patent from Econ to Transachieve under s. 19. As they fail under s. 20, they cannot succeed under s. 19.

I dismiss the originating summons with costs.

By the summons in chambers [Encl. (4)] in the civil action, Econ seek an interlocutory injunction to restrain Transachieve from infringing Patent No. MY-108125-A. The consequence of the dismissal of Transachieve's originating summons is to establish, as between Transachieve, on the one hand, and Econ and Wu Bong, on the other, that Transachieve did not have the right to the patent for the invention, that the right was Wu Bong's, and that Wu Bong had validly assigned those rights to Econ, and that Econ are the owners of the patent. Econ are therefore entitled to the injunction.

There is one point of argument on the part of Transachieve's counsel that I need to dispose of. It concerns the claim of the two V-Pile companies. In 1994 they brought an action in D4-22-349-94 against Transachieve, claiming that Wu Bong's invention was an infringement of the V-Pile companies' Malaysian Patent No. MY-103708-A. On 17 October 1995 a consent order was made in that action, whereby Transachieve were restrained from exploiting the V-Pile patent, except that they were allowed the freedom to carry on five piling projects specified in the order. It was argued that if Econ's application for the injunction is allowed, it would restrain Transachieve from continuing with the five projects and that would make a mockery of the consent order.

I agree with learned counsel for Econ that the consent order was not a judicial pronouncement of rights and is not binding on Econ. The freedom given to Transachieve by the consent judgment is in fact a freedom given by the V-Pile companies to Transachieve for reasons of their own. It confers no rights on Transachieve as against Econ. Econ's right to restrain Transachieve transcends the liberty given by the V-Pile companies to Transachieve through the consent judgment.

I would allow Econ's application and I make orders in terms of paras. (i), (ii), (iii) and (v) of the summons in chambers at Encl. (4).

Reported by Eugene Ong